

The complaint

A company, which I'll refer to as "P", complains that National Westminster Bank Plc ("NatWest") delayed returning its funds after the bank decided to close its account.

P's director, Mr L, brings the complaint on the company's behalf. He is represented in doing so by Mr H.

What happened

P banked with NatWest. The company took out a Bounce Back Loan with the bank in May 2020.

In October 2020, NatWest carried out a review of its relationship with P that led it to withdraw its services.

NatWest notified P by text message on or around 12 October that the company's account would be closed and followed this up in writing on 14 October. The bank provided P with a "funds release" form to arrange for the transfer of the funds held in its account, which it completed and returned later that month. The account balance was around £48,000.

Having not received the funds, P complained to NatWest. In its response of 11 December 2020, the bank said:

- It had acted in line with the terms and conditions when closing P's accounts and the decision wouldn't be changed.
- It could take up to 60 days to process the funds release form, which it had received on 29 October 2020.
- While it hadn't made an error in closing the accounts, it was refunding unpaid item fees of £36 and service charges totalling £76.65 as a gesture of goodwill.

With 60 days having passed and the funds still outstanding, P followed up again with NatWest and then referred the matter to us.

NatWest completed the transfer of P's funds to an alternative account on 5 February 2021.

P says that delays in receiving these funds meant that it incurred costs in arranging alternative finance between October 2020 and February 2021. It says it did so through invoice financing, increasing its limit at a cost of £2,000 a month. So it wants NatWest to reimburse it a total of £10,000 for these fees. The company also says that being without its funds for this period caused it considerable distress and inconvenience, for which it wants compensation.

NatWest says it explained, in the funds release form, that it could take up to 60 days for the money to be transferred. It says it received the form on 29 October 2020, so the funds

should've been released on 28 December. It's offered to pay 8% interest on the balance from this date until the funds were transferred on 5 February 2021.

One of our investigators reviewed the complaint and thought that NatWest had made a fair offer to put things right. She thought it was right that P was compensated for the delay in receiving its funds from 28 December onwards. But she didn't think P had incurred any additional fees in invoice financing as a result, because she thought the company would've utilised the factoring irrespective of delays in obtaining the funds from NatWest and incurred the same costs regardless.

As P didn't accept our investigator's view, the complaint was passed to me to decide.

My provisional decision

I issued a provisional decision last month, setting out why I thought the complaint should be upheld. I said:

NatWest has a number of legal and regulatory obligations to meet in providing banking services to its customers. Banks are required to keep accounts and their use under review, and may need to suspend access or services in order to do so.

I can see that NatWest restricted P's access to the account once it initiated its review. This restriction remained in place until the account was closed. The terms and conditions of P's account allowed NatWest to restrict its services in certain circumstances and, having reviewed the basis of NatWest's decision to review and restrict P's account, I'm satisfied that it did so in order to comply with its legal and regulatory obligations. So I don't think the bank did anything wrong in this respect.

Following the review, NatWest decided to withdraw its services from P. That was a decision it was entitled to make. The terms and conditions allowed the bank to close the company's account immediately in certain circumstances. I think this was reasonable in light of the findings of the bank's review (although the bank opted to give P seven days' notice of the closure rather than process it immediately).

Thereafter, I'd expect NatWest to deal with the release of P's funds within a reasonable timescale – and I don't think it did. While NatWest has accepted responsibility for the delay from 28 December 2020 until the funds were eventually released on 5 February 2021, I'm not persuaded that it was reasonable for the bank to take even this long to return the money to P. It's form said that it could take up to 60 days, but this doesn't mean that it should've done.

The only reason that NatWest has given for the delay is that it was reviewing P's eligibility for the Bounce Back Loan it had obtained prior to the bank's decision to withdraw its services. It ultimately concluded that P could retain the loan. I can't see why this took almost four months – from the date of its decision to end its relationship with P on 12 October 2020 to the release of funds on 5 February 2021.

While there may be circumstances in which it may legitimately take the bank between 28 and 60 days to release funds – as it advises customers on its form – I don't think any applied in P's case. From what I've seen, NatWest only needed to review the position regarding the loan. I think it should've been able to do that within 28 days at the most. If it couldn't, it ought to have considered taking other steps to mitigate the impact on P (for example, by releasing the remainder of the account balance and dealing with the loan funds separately).

Taking all of this into account and accepting that it would always have taken *some* time to arrange the release of P's funds, I think NatWest ought reasonably to have transferred the funds within 28 days of receiving P's request. The bank's records indicate it received the form from P on 29 October 2020, so I think NatWest should've released the funds by 26 November. And so I think the bank should compensate P for being without the money from this date until it was returned to the company on 5 February 2021.

P says that it incurred additional costs in its invoice financing arrangements as a result of the delays on NatWest's part. P has provided statements from the financing company, and I can see it was charged £2,000 a month for the credit it obtained over the period in question. But it is also apparent that P was regularly using invoice financing and obtained significantly more credit over this period than the funds it was due from NatWest. So it seems most likely to me that P would always have entered into such arrangements. And I can see it was charged the same fee irrespective of the credit it obtained – so even if it hadn't needed to cover the funds awaited from NatWest, it would still have incurred the same level of charge.

P was, though, deprived the use of its funds and it's right that it's compensated for this and the inconvenience it was caused as a result. NatWest has already offered to pay 8% interest on the account balance from 28 December 2020 until its release, but for the reasons above I think should be backdated to 26 November. P also had to chase up on a number of occasions, ultimately raising a complaint that it referred to us in light of the ongoing delays. So I also think it would be fair for the bank to pay P compensation of £150 for this.

As my thoughts differed slightly from those of our investigator, I gave both parties the opportunity to respond with any further comments or information they wanted me to consider before I reached a final decision.

NatWest accepted my provisional decision. Mr H agreed with my findings on what the bank had done wrong, but thought that more compensation was due to P. In summary, he didn't think this fairly reflected the impact on P of the sudden closure of its account and its inability to access its funds – noting that had it not been for the factoring, the business wouldn't have been survived.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've not reached a different conclusion to that of my provisional decision. So I'll explain why Mr H's further comments haven't led me to think that any more compensation is warranted.

Firstly, I should reiterate that I don't think NatWest did anything wrong in its closure of P's accounts. So while I don't doubt that the immediate closure of the company's accounts would've caused it some considerable inconvenience – particularly in arranging alternative facilities in the middle of the pandemic and arranging both incoming and outgoing payments – this isn't something that I think NatWest needs to compensate it for.

Mr H also highlighted that NatWest didn't give any explanation for its decision to end its relationship with P. But it wasn't required to disclose its reasons and such matters are subject to some legitimate confidentiality. So it didn't do anything wrong in this regard.

The error that I found on NatWest's part was in its delay in releasing P's funds. So it is for the impact of this alone that I am requiring NatWest to compensate P.

In this respect, I've reconsidered whether P suffered any financial losses as a result of the delays on NatWest's part. But I've still not seen that it did. I accept Mr H's comments that P only survived because it utilised the invoice financing. And of course, it incurred costs in doing so. But for the reasons given in my provisional decision, I still can't see that the costs it incurred were any higher than they would've been even if NatWest had returned its funds sooner. P borrowed much more than the funds held by NatWest, which – along with the fact that the company used invoice financing routinely – would suggest that it would've entered into such arrangements with or without the money in its NatWest account. And while it may have borrowed a lower amount if things had gone as they should have, I can't see that it would've been charged any less – as the statements that P previously provided show that it was charged the same fee regardless of how much credit it obtained.

So I still think that the fair way to resolve this complaint is for NatWest to compensate P for being deprived of its funds for longer than was reasonable and for the inconvenience this caused, in the manner proposed in my provisional decision.

My final decision

For the reasons I've explained, I uphold this complaint and instruct National Westminster Bank Plc to:

- Calculate 8% simple interest per year on the account balance from 26 November 2020 to 5 February 2021 and pay this amount to P, and
- Pay S compensation of £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 6 May 2022.

Ben Jennings
Ombudsman